

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Meceola Consolidated Central Dispatch Auth	County Mecosta/Osceloa
Fiscal Year End 12/31/2007	Opinion Date 4/17/2008	Date Audit Report Submitted to State 5/16/2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

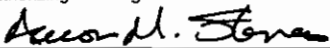
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**Meceola Consolidated Central
Dispatch Authority
Paris, Michigan**

FINANCIAL STATEMENTS

December 31, 2007

Meceola Consolidated Central Dispatch Authority

APPOINTED OFFICIALS

December 31, 2007

James Crawford	Chairperson
George Freeman	Vice-Chairperson
Peg Brennan	Treasurer/Secretary
Mark Brock	Member
Edward Seath	Member
John Sonntag	Member
Raymond Steinke	Member
Henry Wayer	Member
Andrea Nerbonne	Member

Meceola Consolidated Central Dispatch Authority

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December 31, 2007

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Meceola Consolidated Central Dispatch Authority
Paris, Michigan

We have audited the accompanying financial statements of the Meceola Consolidated Central Dispatch Authority as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Meceola Consolidated Central Dispatch Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Meceola Consolidated Central Dispatch Authority as of December 31, 2007, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 17, 2008

Meceola Consolidated Central Dispatch Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

The intent of the management discussion and analysis is to provide highlights of Meceola Consolidated Central Dispatch Authority's (the Authority) financial activities for the fiscal year ended December 31, 2007. Readers are encouraged to read this section in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- ❖ Net Assets: The assets of the Authority exceeded its liabilities by \$1,413,942 as of December 31, 2007. Of this amount, \$706,032 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- ❖ The total net assets decreased by \$38,621 as a result of current year activity.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report includes this management discussion and analysis report, the independent auditor's report and the basic financial statement of the Authority, including notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to their creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing their liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Authority's operations over the past year.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Statement of Net Assets and the Statement of Activities provide information to determine how the Authority did financially during fiscal year 2007. The net assets, or the difference between assets and liabilities, and the changes in them can indicate whether financial health is improving or deteriorating over time. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation also need to be considered in determining the Authority's financial health.

Meceola Consolidated Central Dispatch Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

NET ASSETS

The Authority's Condensed Statement of Net Assets and Statement of Revenue, Expenses and Changes in Fund Net Assets are presented in the following comparative tables.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS

	<u>12/31/2007</u>	<u>12/31/2006</u>
Current and other assets	\$ 775,845	\$ 606,450
Capital assets	<u>707,910</u>	<u>904,298</u>
Total assets	1,483,755	1,510,748
Current liabilities	53,058	44,588
Noncurrent liabilities	<u>16,755</u>	<u>13,597</u>
Total liabilities	69,813	58,185
Invested in capital assets	707,910	904,298
Unrestricted	<u>706,032</u>	<u>548,265</u>
Total net assets	<u>\$ 1,413,942</u>	<u>\$ 1,452,563</u>

TABLE 2
CONDENSED STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN FUND NET ASSETS

	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 1,277,565	\$ 1,183,325
Nonoperating revenues	<u>30,749</u>	<u>21,903</u>
Total revenues	1,308,314	1,205,228
Depreciation expense	229,782	306,303
Other operating expense	1,113,665	1,066,383
Nonoperating expense	<u>3,488</u>	<u>3,258</u>
Total expenses	<u>1,346,935</u>	<u>1,375,944</u>
Changes in net assets	(38,621)	(170,716)
Beginning net assets	<u>1,452,563</u>	<u>1,623,279</u>
Ending net assets	<u>\$ 1,413,942</u>	<u>\$ 1,452,563</u>

Meceola Consolidated Central Dispatch Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

The Authority's operating revenues increased \$94,240 or approximately 8%. This was due to increasing the surcharge to the full 16% in March 2007, caused by the trend of consumers switching from traditional land line telephones to cellular phones. The surcharge revenue for a cellular line is significantly less than a land line.

Due to the continued decrease of phone surcharge revenues because of the continuing migration toward cellular telephones, the counties increased the surcharge to the maximum of \$3.20 per line, which took effect on March 1st 2007. This increase in surcharge is expected to be a revenue neutral change, stopping the decline and holding the income at the current level until the end of 2007.

BUDGETARY HIGHLIGHTS

The Authority is an enterprise fund and is not required to adopt an annual budget. However, the Authority Board does adopt an annual operating budget. The operating budget includes proposed expenses and the means of financing them. The Authority's operating budget remains in effect but can be revised with the Authority Board approval prior to the December 31 year-end.

CAPITAL ASSETS

The Authority purchased \$33,394 in new capital assets during 2007, including various Tele-Rad and computer equipment, and did not dispose of any assets. Depreciation expense was \$229,782 for 2007.

At the end of 2007 and 2006, the Authority had \$707,910 and \$904,298 respectively invested in capital assets as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ 10,529	\$ 10,529
Buildings and improvements	534,997	533,397
Equipment	<u>1,745,104</u>	<u>1,713,310</u>
Total at historical cost	2,290,630	2,257,236
Less: accumulated depreciation	<u>(1,582,720)</u>	<u>(1,352,938)</u>
Net capital assets	<u>\$ 707,910</u>	<u>\$ 904,298</u>

DEBT ADMINISTRATION

The following is a summary of changes in long-term debt of the Authority for the year ended December 31, 2007:

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>
Accumulated sick and vacation	<u>\$ 27,193</u>	<u>\$ 20,065</u>	<u>\$ 13,748</u>	<u>\$ 33,510</u>

The increase of \$6,317 from the prior year is mainly due to more hours being accumulated as of December 31, 2007. There were approximately 183 more hours accumulated as of December 31, 2007 than as of December 31, 2006.

Meceola Consolidated Central Dispatch Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

New state legislation for statewide 911 funding is expected to go into effect on July 1st, 2008 as the current funding legislation sunsets on June 30th, 2008. No new capital improvements are scheduled for 2008 due to the insecurity in continued funding.

CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Laurie Smalla at 20701 Northland Drive, Paris, MI 49338.

BASIC FINANCIAL STATEMENTS

Meceola Consolidated Central Dispatch Authority

STATEMENT OF NET ASSETS

December 31, 2007

ASSETS

Current assets

Cash	\$ 580,985
Accounts receivable	141,014
Prepaid expenses	12,938
Other assets	<u>40,908</u>

Total current assets	775,845
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Noncurrent assets

Capital assets not being depreciated	10,529
Capital assets, net of accumulated depreciation	<u>697,381</u>

Total noncurrent assets	<u>707,910</u>
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TOTAL ASSETS	1,483,755
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LIABILITIES

Current liabilities

Accounts payable	7,353
Other accrued liabilities	28,950
Current portion of vacation and sick pay	<u>16,755</u>

Total current liabilities	53,058
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Noncurrent liabilities

Accrued vacation and sick pay	<u>16,755</u>
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TOTAL LIABILITIES	<u>69,813</u>
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NET ASSETS

Invested in capital assets	707,910
Unrestricted	<u>706,032</u>

TOTAL NET ASSETS	<u>\$ 1,413,942</u>
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See accompanying notes to financial statements.

Meceola Consolidated Central Dispatch Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

OPERATING REVENUES	
Surcharge fees	\$ 1,277,565
OPERATING EXPENSES	
Salaries and wages	655,292
Payroll taxes and benefits	232,296
Utilities	9,469
Insurance	16,732
Professional services	12,113
Service contracts	82,551
Software and other licenses	35,558
Leases	6,525
Travel	4,403
Training	11,582
Supplies	6,732
Telephone	21,333
Postage	534
Repairs and maintenance	16,852
Dues and subscriptions	356
Depreciation	229,782
Miscellaneous	1,337
	<hr/>
TOTAL OPERATING EXPENSES	1,343,447
	<hr/>
OPERATING LOSS	(65,882)
NONOPERATING INCOME (EXPENSE)	
Interest income	9,935
Interest expense	(187)
Reimbursements	20,814
Other expense	(3,301)
	<hr/>
TOTAL NONOPERATING INCOME (EXPENSE)	27,261
	<hr/>
CHANGE IN NET ASSETS	(38,621)
Net assets, beginning of year	<hr/>
	1,452,563
Net assets, end of year	<hr/>
	\$ 1,413,942
	<hr/>

See accompanying notes to financial statements.

Meceola Consolidated Central Dispatch Authority

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 1,282,005
Cash paid to suppliers	(212,938)
Cash paid to employees	<u>(877,920)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 191,147

CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Capital purchases	(33,394)
Other capital activities	17,513
Interest payment	<u>(187)</u>

NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES (16,068)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest revenue	<u>9,935</u>
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NET INCREASE IN CASH DURING YEAR 185,014

Cash, beginning of year 395,971

Cash, end of year \$ 580,985

Reconciliation of operating loss to net
cash provided by operating activities

Operating loss	\$ (65,882)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	229,782
Decrease in accounts receivable	4,440
Decrease in prepaid expenses	27,974
(Increase) in other assets	(16,795)
Increase in accounts payable	1,960
Increase in accrued liabilities	3,351
Increase in accrued vacation and sick pay	<u>6,317</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 191,147

See accompanying notes to financial statements.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Meceola Consolidated Central Dispatch Authority (the Authority) was organized in 1993 by Mecosta and Osceola Counties for the purpose of acquiring, owning, and operating an enhanced emergency response system within the boundaries of the participating counties. The Authority is funded by a 16% surcharge on phone lines within the Counties.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance. The following is a summary of the significant policies:

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Meceola Consolidated Central Dispatch Authority. The Authority is considered a "joint venture" of the constituent municipalities.

The financial statements of the Authority include the following operations: wireless, hard-wired, and the internal cost communication center. The operations listed above are included because the Authority has direct oversight responsibility over each operation.

The Authority is controlled by a nine member Commission. The Commission is comprised of a representative from the Michigan State Police, three members from Mecosta and Osceola Counties each, one member from the Michigan Sheriff's Association, and one member from the county whose sheriff is not appointed by the Michigan Sheriff's Association. The Authority elects from its members a Chairperson, Vice-Chairperson, Treasurer, and Secretary.

2. Basis of Presentation

The operations of the Authority are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The Authority's resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the basic financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are telephone surcharge fees to customers. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Proprietary Fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

5. Cash

Cash consists of checking and money market accounts.

6. Other Assets

Other assets consist of service contract license fees which were paid in 2003 and 2007 and are being amortized over 5 years and 12 months, respectively.

7. Capital Assets

Capital assets, which include buildings and equipment, are capitalized at total acquisition cost, provided such cost exceeds \$500 and the expected useful life of the asset is more than two years. Donated property and equipment are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend their lives are charged to expense when incurred. Depreciation is recorded on all depreciable capital assets using either a 150% or 200% double declining method over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings and improvements	15 - 40 years
Equipment	5 - 20 years

8. Accrued Vacation and Sick Leave

Employees of the Authority are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2007 were vested and the total due to them, along with the related payroll taxes, is recorded entirely on the Statement of Net Assets.

9. Comparative Data

Comparative data for the prior year have not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Association, Federal National Mortgage Corporation or Government National Mortgage Association.

Deposits

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2007, the carrying amount of Authority's deposits was \$580,985 and the bank balance was \$582,449, of which \$200,000 was covered by federal deposit insurance. The balance of \$382,449 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2007, the Authority did not have any investments that would be subject to rating by an NRSRO.

Interest Rate Risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of Credit Risk

The Authority's concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH - CONTINUED

Custodial Credit Risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007
Capital assets not being depreciated				
Land	\$ 10,529	\$ -	\$ -	\$ 10,529
Capital assets being depreciated				
Buildings and improvements	533,397	1,600	-	534,997
Equipment	<u>1,713,310</u>	<u>31,794</u>	<u>-</u>	<u>1,745,104</u>
Subtotal	2,246,707	33,394	-0-	2,280,101
Less accumulated depreciation for				
Buildings and improvements	(192,000)	(16,970)	-	(208,970)
Equipment	<u>(1,160,938)</u>	<u>(212,812)</u>	<u>-</u>	<u>(1,373,750)</u>
Subtotal	<u>(1,352,938)</u>	<u>(229,782)</u>	<u>-0-</u>	<u>(1,582,720)</u>
Total capital assets being depreciated	<u>893,769</u>	<u>(196,388)</u>	<u>-0-</u>	<u>697,381</u>
Net Capital Assets	<u>\$ 904,298</u>	<u>\$(196,388)</u>	<u>\$ -0-</u>	<u>\$ 707,910</u>

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended December 31, 2007:

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007	Amounts Due Within One Year
Accumulated Sick and Vacation	<u>\$ 27,193</u>	<u>\$ 20,065</u>	<u>\$ 13,748</u>	<u>\$ 33,510</u>	<u>\$ 16,755</u>

Accrued Sick and Vacation

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$33,510 at December 31, 2007. The amounts of \$16,755 and \$16,755 have been reported as current and noncurrent liabilities, respectively.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE E: RETIREMENT PLAN

Plan Description

The Authority participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Authority. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Authority Board and by negotiation with the Authority's collective bargaining units. Employees of the Authority are not required to contribute to the plan. The Authority is required to contribute amounts necessary to fund the plan at an actuarially determined rate.

Annual Pension Cost

For year ended December 31, 2007, the Authority's annual pension cost of \$68,369 for the plan was equal to the Authority's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year (annually) for persons under Benefit B-2 after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of twenty-nine (29) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 689,969	\$ 779,591	\$ 889,327
Actuarial accrued liability (AAL)	861,678	991,036	1,111,849
Unfunded (overfunded) AAL	171,709	211,445	222,522
Funded ratio	80 %	79 %	80 %
Covered payroll	518,499	569,699	595,261
UAAL as a percentage of covered payroll	33 %	37 %	37 %

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 52,128	\$ 65,037	\$ 68,369
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F: RISK MANAGEMENT

The Authority carries commercial insurance for the risk of loss due to workers' compensation claims.

The Authority also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

NOTE G: POST-EMPLOYMENT BENEFITS

The Authority provides health insurance coverage to the retired employees. Currently, there are no retirees utilizing these benefits. The health insurance coverage is similar to the coverage provided to current employees. The Authority submits payment to the health insurance provider for the premiums on a monthly basis. The premiums are reimbursed to the Authority by the retired employees in the preceding month. During 2007, no premiums were submitted to the health insurance provider on behalf of retired employees.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

NOTE H: ECONOMIC DEPENDENCY

A significant amount of the revenue of the Authority is derived from 911 telephone surcharges that must be periodically renewed by voters. The loss of telephone surcharge revenue from the Counties would have a significant effect on the Authority's ability to continue with operations.

Principals

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Steven R. Kirinovic, CPA
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MANAGEMENT LETTER

To the Board of Directors of the
Meceola Consolidated Central Dispatch Authority
Paris, Michigan

As you know, we have recently completed our audit of the records of the Meceola Consolidated Central Dispatch Authority as of and for the year ended December 31, 2007. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is the result of our evaluation of the internal control and our discussions with management.

The Authority should prepare for implementation of GASB Statement #45.

The Governmental Accounting Standards Board has recently issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the Meceola Consolidated Central Dispatch Authority the year ended December 31, 2009.

The Authority is subject to this new standard in that it offers health insurance to retired employees.

We would like the Board to be aware of this upcoming change and also suggest that the Authority begin to discuss options for calculating the amount of the liability to be recorded in the statement of Net Assets. The Board has the option of contracting an actuary to determine the liability or calculating the liability using an alternate method described in GASB Statement No. 45.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated April 17, 2008.

This report is intended solely for the information of management and the Board of the Meceola Consolidated Central Dispatch Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 17, 2008

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of Directors of the
Meceola Consolidated Central Dispatch Authority
Paris, Michigan

We have audited the accompanying financial statements of the Meceola Consolidated Central Dispatch Authority as of and for the year ended December 31, 2007, and have issued our report thereon dated April 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Meceola Consolidated Central Dispatch Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following control deficiencies to be significant deficiencies in internal control over financial reporting.

FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, we noted that the Meceola Consolidated Central Dispatch Authority has not developed or implemented a fraud risk management program.

Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Due to the Authority not developing a fraud risk assessment and monitoring program it is unable to assess the Authority's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

FRAUD RISK MANAGEMENT PROGRAM - CONTINUED

We recommend that the Authority develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

SEGREGATION OF DUTIES

During the course of our audit, we noted that the Executive Director is involved with opening of the mail, cash receipting, and depositing to the bank, entering invoices into the accounting system, approving new vendors, generating checks, signing checks, and mailing checks. This issue was noted and reported in our prior audit comments.

The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.). Duties and responsibilities for handling receipts should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Performing the bank reconciliation.

Duties and responsibilities for handling disbursements should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Entering invoices into the general ledger.
- b. Approving new vendors.
- c. Generating and signing checks.
- d. Mailing checks.

Management must realize that a greater risk in safeguarding receipts will exist if duties and responsibilities are not appropriately arranged and separated. In smaller governmental entities, where the number of employees is limited and duties cannot be adequately separated, management must provide a greater review and supervision of employee functions and procedures. Since the prior audit, the Authority has attempted to segregate duties more by having a board member review the check register on a monthly basis.

We recommend that the Authority appropriately arrange and separate duties and responsibilities so that an adequate internal control system exists to safeguard receipts and disbursements. If management cannot separate duties within the office to provide an adequate internal control system, management and the Board must realize that a greater risk in safeguarding receipts will exist.

PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL JOURNAL ENTRIES

Effective for all audits of financial statements for fiscal years ending December 31, 2006 and after, Statement on Auditing Standards No. 112 titled *"Communicating Internal Control Related Matters Identified in an Audit,"* requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America.

Meceola Consolidated Central Dispatch Authority's year-end financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as part of the audit process. Responsibility for the financial statements of the Authority rests with the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and the financial statements, including the related note disclosures (i.e., external financial reporting).

PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL JOURNAL ENTRIES - CONTINUED

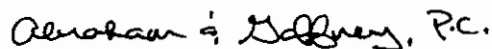
It has historically been common for many small governments to rely on the independent auditors to assist in the preparation of the financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. Typically it is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. As a result, the Authority's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the Authority's internal controls.

Management seems to provide the Members of Board with sufficient financial information on which to base operational financial decisions (i.e., internal financial reporting). Such information is essentially prepared on the cash basis of accounting. While effective for the Board's purposes, the cash basis of accounting is inconsistent with generally accepted accounting principles. The employees and/or management may not possess the qualifications necessary to prepare the Authority's annual financial statements, including the related note disclosures in accordance with GAAP. We are communicating these circumstances as required by professional standards; however we do not see a need for any change in the process related to the preparation of the financial statements at this time.

However, we have also annually performed a search for unrecorded receivable, payable, and prepaid amounts (i.e., accruals) as part of the audit process. As a result of that search, journal entries were suggested to the Authority's management for entry into the general ledger. For the past two years, the accrual amounts were considered material to the Authority's financial statements prepared in accordance with generally accepted accounting principles (GAAP). This issue was noted and reported in our prior audit comments.

We recommend the Authority make determinations of the necessary accrual amounts as part of their year-end closing procedures. Documentation supporting the accruals recorded in the general ledger should be retained for audit purposes.

This report is intended solely for the information and use of management and Members of the Board of the Meceola Consolidated Central Dispatch Authority, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 17, 2008